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USSR Assistance for the Bhilai Steel Plant in India

Under an agreement of February 1955, and supplementary agreements on April and May 1956, the USSR is providing economic and technical assistance to India worth \$132 million for the construction of an integrated steel plant at Bhilai in Madhya Pradesh. The plant, which is to have an initial capacity of 1 million steel ingots, was originally expected to be producing pig iron by 1958 and steel by 1959. The Soviet credit is to be used for equipment and structural steel as well as for technical aid and is repayable in Indian rupees in 12 years at 2.5 percent interest.

In spite of the fact that construction on the plant is estimated to be about one year behind schedule, the project is considered to be proceeding satisfactorily.

The Indians are also constructing two other steel plants--one at Durgapur, West Bengal, with West German assistance. India's critical foreign exchange position and the rising costs of construction have caused problems with the projects--all of which are reported to be behind schedule. India has recently been granted more favorable terms on assistance from West Germany for the Rourkela plant and has requested similar favors from the Soviets for the Bhilai plant. A request for additional credits, amounting to \$31 million to cover the cost of materials which the Government had expected to procure locally but is now forced to import, was refused by the Soviets. The expansion of the privately owned Tata Steel plant at Jamshedpur, which is being undertaken by the US Kaiser firm, is

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the only steel project which is progressing according to plan. However, the cost of this project is now estimated to be much higher than originally contemplated.

The Soviets are providing extensive training and technical assistance for the Bhilai projects. About 700 Indians are to be trained in the USSR in steel technology, while over 4,000 Indians are scheduled to be trained on the job at the plant. In addition the Soviets have sent about 90 engineers and technicians to aid in the construction at Bhilai.

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